

INTRODUCTORY SECTION



December 31, 2004

To the Honorable Chairman,
Members of the Board of Commissioners, and
Citizens of Columbia County, Georgia:

The Comprehensive Annual Financial Report (CAFR) of Columbia County, Georgia, for the year ended June 30, 2004, was prepared by the Columbia County Financial Services Division and is hereby submitted. This CAFR is being formally submitted as required by the Official Code of Georgia Annotated, Section 36-81-7 and Rule 15c2-12 of the Securities Exchange Act of 1934. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the County as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain a reasonable understanding of the County's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in the following four sections:

- The introductory section includes this transmittal letter, a list of principal officials, the County's organization chart, and a copy of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2003.
- The financial section includes the independent auditor's report on the financial statements, management's discussion and analysis, the basic audited financial statements with notes, and combining fund statements.
- The statistical section includes selected financial and demographic information, generally presented on a multi-year basis, and information required by the Securities and Exchange Commission under Rule 15c2-12 of the Securities Exchange Act relating to municipal bond disclosure.
- The single audit section includes schedules of expenditures of federal and state awards and independent auditors' reports relating to these schedules.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Columbia County's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Columbia County, established in 1790 and named in honor of Christopher Columbus, is located in the Central Savannah River Area of Georgia approximately 135 miles east of Atlanta and five miles northwest of Augusta/Richmond County. The 290 square mile county is bounded on the north by Thurmond Lake and the Savannah River (separating Columbia County from Lincoln County, Georgia, and McCormick and Edgefield Counties, South Carolina), on the south and east by Augusta/Richmond County, and on the west by McDuffie County.

A five-member Board of Commissioners governs Columbia County. The Board is comprised of one chairman, elected county wide, and four commissioners, each elected from a separate commission district serving four year staggered terms. A County Administrator, who is appointed by and responsible to the Board, directs the daily operation of the County. Services provided to the approximately 97,000 residents include: public safety (Sheriff's Office, detention center, E911, fire), emergency services, community services, public works, planning and development, and other general governmental services. The County also provides water, sewer, storm water, and solid waste disposal services to the public.

FINANCIAL REPORTING ENTITY

The financial reporting entity includes all activities and functions of the primary government (i.e., Columbia County, Georgia) as well as all related component units, if any. "Financial Accountability" is the benchmark used to determine which legally separate entities represent component units of the primary government. Blended component units, although legally separate entities, are, in substance, an integral part of the primary government's operations and, therefore, are included as part of the primary government. Accordingly, the Columbia County Solid Waste Management Authority is reported as an Enterprise Fund of the primary government because its sole purpose is to perform development, leasing, and long-term planning of a solid waste facility for the County.

The Development Authority of Columbia County, the Columbia County Board of Health, and Bartram Trail, CDC, Inc. are reported as discretely presented component units in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions. The Development Authority serves to promote, pursue, and implement economic development in the County. The Board of Health serves to operate the public health department of the County. Bartram Trail, CDC, Inc. is a community development corporation created to develop, construct, and operate a public golf course in Columbia County.

ECONOMIC CONDITION AND OUTLOOK

We began 2004 by adopting a new logo and brand to reflect the forward-thinking of the community and government. The stylized sailboat has been used extensively for economic development as well as community unity. The County's high school students – the future leaders of the County – had an election to determine the final choice.

Growth in all facets of Columbia County remains strong and attractive to individual families, retail/commercial, and industry alike. Our two new golf course/residential communities are progressing well and will offer a variety of housing types. The public golf course is proposing housing ranging from \$300,000 to \$600,000. New home construction in the County is continuing with single family homes beginning at \$180,000. Area homebuilders have made application for subdivision plats and building permits in large numbers. These plats include single family, townhouse developments, and apartment complexes. Single-family permits have remained steady while townhouse building permits in FY 2004 were more than 57 percent more than the previous year.

The activity level for retail and commercial development is ongoing with much growth along the major transportation thoroughfares of Washington Road, Belair Road, Interstate 20 intersections, and Furys Ferry Road. The Columbia County Chamber of Commerce was initiated in June 2003 and is now firmly established and initiating progressive (first in the nation) insurance plans for its members.

Plans for several large shopping centers have been announced, and a 400,000 sq. ft. retail center - anchored by Target and Kohls - is underway and should be open in less than a year. Across the street from this center will be an upscale retail shopping area for small shops and restaurants. This summer, the developers of Marshall Square announced a large, 50-acre lifestyle development to include retail and professional, a hotel and convention center, and residential housing across from the Evans Government and Justice Centers in the heart of the Evans Town Center. Another retail center has been announced that will be located on the Evans Middle School site once a new middle school has been built. These centers represent 1.5 million square feet of retail space that will be available over the next few years. It is obvious that the retail market is following the population flow into the County and is attracted to the County's demographics. As of August 2004, the County had issued 5069 business licenses which is an increase of 1139 from the previous year.

A significant medical corridor is developing on Belair Road. The University Hospital opened a three-story medical office facility at 100% capacity this spring and is planning to build an identical building nearby. The area's largest OBY/GYN practice will be moving from downtown Augusta to Evans, across the street from the University Hospital medical facility. It will include a wellness center, clothing stores, and restaurants. This area's medical personnel enjoy working close to their patients and their own homes. The freedom from a long commute allows them more time with their families and community activities.

The County's newest public/private partnership, Horizon North Industrial Park, has its first tenant

who is a supplier for John Deere located in the Horizon South Industrial Park nearby. Public/ private partnerships have been most successful, and the concept is being encouraged throughout the County. The Horizon South Industrial Park, which had almost reached full capacity, has obtained additional property and will soon be home to a satellite campus of Augusta Tech.

Our Economic Development Executive Director anticipates that economic growth which has been announced this year will positively influence future initiatives. The quality of life in Columbia County is attractive to many, and the County is seeking environmentally-friendly commercial and industrial growth. The County is wishing to expand its economic partnership with adjoining counties and to promote growth around beautiful Lake Thurmond.

MAJOR CURRENT YEAR INITIATIVES

Fire Services. In December 2003, the Board of Commission voted to use property tax funds to provide fire services in the unincorporated area of the County. This has eliminated subscription fees and under-funding of several fire departments. The public has been very supportive of this endeavor as it will greatly improve services and lower homeowners insurance rates in the unincorporated area of the County.

1% Special Purpose Local Option Sales Tax (SPLOST) – 2000-2005. The “star” project of the current SPLOST is the County’s new public library and performing arts center, which is progressing on time and within budget. This building, along with the 300-seat amphitheatre and lighted walking track, will be the site for many community activities. The grand opening is anticipated in March 2006. The County also purchased land for a new 150-acre park. This will be the home for six additional soccer fields, tennis courts, and walking trails. Transportation projects are continuing as funding becomes available.

1% Special Purpose Local Option Sales Tax (SPLOST) – 2006-2010. Because of several important initiatives, the County passed its 2006-2010 SPLOST referendum in July 2004 so general obligation bonds could be sold. Almost 70% of the citizens supported the referendum. Most of these funds will be spent immediately on fire stations and equipment as these services are upgraded throughout the County.

Canal Headgates. A grand opening for the restored Canal Headgates buildings at the Savannah Rapids Pavilion was held in July 2004. The Lockkeeper’s Cottage is a State-recognized welcome center for the County, and the dance pavilion and dining hall are wonderful venues for family gatherings and celebrations. The land is leased from Augusta/Richmond County and in November 2004, Augusta/Richmond County extended the County’s lease agreement to 50 years.

Wildwood Park. In the early spring, new mega boat ramps, docks, and a pavilion were opened at Wildwood Park. This has greatly increased the use of this 975-acre park, and the County now hosts Walmart, ESPN, and Bassmaster Tournaments.

MAJOR FUTURE INITIATIVES

Transportation. The County completed a 20-year transportation plan, and the Georgia DOT has been cooperative in recognizing our rapid growth and its impact on the County's major transportation corridors. DOT funding must be combined with SPLOST funds to accomplish needed improvements. The DOT is widening Fury Ferry's Road, and the project is a year behind schedule. Once completed, however, it will greatly alleviate traffic congestion on other main traffic arteries. Improvements to North Belair Road and Washington Road should begin in early 2005.

Water. The Water and Sewer Division recently sold \$28,940,000 Columbia County, Georgia Water and Sewerage Revenue Bonds for the purpose of improving the water and sewer system. The growth of the County will follow their progress, and fire insurance rates will decrease as water becomes more available in the less populated areas of the County. The Water Division's strategic planning has ensured that an ample water supply is available at all times.

Internal Improvements. This year, the County caught a computer virus that even MicroSoft had not seen before. Our IT Department created the "cure" but it was obvious that the County's computers and security were out-of-date and insufficient for the County's needs. New security elements have been added and a new central computer system will be installed in phases over the next two years. This will greatly enhance the capabilities of the Finance and many other departments.

Growth Management Plan. The State of Georgia requires its counties to write a revised Growth Management Plan every ten years. Because of the rapid growth in Columbia County, a new plan is required every five years. The County's growth management plan update is due February 2006. This plan involves a citizen committee, public meetings, and a great deal of research and decision-making on the zoning of the County. Zoning determines where all types of growth will go as well as where greenspace and recreational facilities will be located. These decisions will have a profound impact on the future quality of life in the County.

INTERNAL CONTROLS

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control process is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As part of the County's annual single audit, required in conformity with provisions of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, tests are made to determine the adequacy of the internal control structure including

that portion relating to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The single audit for the year ended June 30, 2004, disclosed no material internal control weaknesses or material violations of laws and regulations.

BUDGETARY CONTROLS

The County is required to adopt a balanced budget each year and maintain budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Commissioners. Activities of the General Fund, Special Revenue Funds, and Debt Service Fund are included in the annual appropriated budget. Project-length plans are adopted for the Capital Projects Funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed appropriations) is the departmental level within each fund. The County Administrator may authorize transfers of appropriations within departments (except salary line items). Transfers of appropriations from one department to another or from one fund to another require approval of the Board of Commissioners.

The County maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are re-appropriated as part of the following year's budget. A detailed explanation of the County's budget procedures can be found in the notes to the financial statements.

DEBT ADMINISTRATION

Columbia County continues to maintain strong bond ratings with the major credit rating services. In September 2004, the County prepared comprehensive presentations for Fitch IBCA, Standard & Poor's, and Moody's Investors Service rating agencies in an effort to upgrade the current uninsured ratings applied to the County's general obligation bonds and water and sewerage revenue bonds. Noting increased financial flexibility due to strong reserves, the County's strong tax base growth and its consistently strong financial operations, the County received notification from Fitch IBCA and Standard & Poor's that the County's general obligation bonds ratings were upgraded from AA- to AA. Moody's maintained the rating of Aa3 on the general obligation bond issues. Standard & Poor's upgraded its rating on the water and sewerage bonds from A to AA-, while Fitch and Moody's maintained their ratings of AA- and Aa3, respectively. The County will continue to follow prudent fiscal policies and practices in order to maintain its strong credit rating.

CASH MANAGEMENT

While any investment instrument or decision carries certain elements of risk, numerous safeguards are available to minimize the risk while generating a market rate of return. Columbia County seeks to obtain market rates of return on its investments consistent with constraints imposed by its safety

objectives, cash flow considerations, and Georgia state laws. Safety of principal is the foremost objective. Each investment transaction shall first seek to ensure that capital losses are avoided, whether they be from defaults or erosion of market value.

Idle funds are invested primarily in obligations of the State of Georgia and other states; obligations issued, fully insured, or guaranteed by the United States; collateralized certificates of deposit; and repurchase agreements. The County strives to maximize investment income while minimizing risk and maintaining liquidity sufficient to cover cash operating requirements. The County utilizes various forms of investment instruments to avoid incurring unreasonable risks inherent in the lack of diversification in specific instruments, individual financial institutions, or maturities. Investment maturities are scheduled to coincide with projected cash flow needs, taking into account large routine scheduled expenditures, as well as considering unanticipated revenues and expenditures.

Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

RISK MANAGEMENT

The purpose of the Columbia County risk management program is to minimize the financial burden incurred by the County as a result of work-related injuries, loss of County property, and damages which may be incurred by third parties. The County has elected to utilize coverages provided by the Association County Commissioners of Georgia Interlocal Risk Management Agency (ACCG-IRMA) and the Association County Commissioners of Georgia Group Self-Insured Workers' Compensation Fund (ACCG-GSIWCF). The County continues to maintain self-insured retention levels of \$50,000 per occurrence and \$200,000 per occurrence in the ACCG-IRMA and ACCG-GSIWCF programs, respectively. An Internal Service Fund is used to account for costs associated with risk management, with the exception of workers' compensation, which continues to be accounted for within the General Fund. Reserves are being accumulated in both funds to meet potential losses. As reserves increase, retention levels may be increased, reducing the annual cost of coverage.

Management remains committed to a safe working environment. Employee education and training enhance and supplement ongoing efforts to maintain a safe and healthy environment for all County employees. Training classes, such as CPR and first aid, defensive driving, self defense, workplace violence, and office ergonomics, are made available for all County employees.

INDEPENDENT AUDIT

The Code of Ordinances of Columbia County and the Official Code of Georgia require an annual independent audit of the County's financial records by a certified public accounting firm. The

accounting firm of Baird & Company CPAs, LLC, was selected by the Management and Financial Services Committee and approved by the Board of Commissioners in April 2004 as independent auditors for fiscal year ending June 30, 2004. The County may exercise the option to renew the contract for three additional one year periods. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The auditors' report on the basic financial statements is included in the financial section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations are included in the single audit section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Columbia County, Georgia, for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the sixth consecutive year that the County achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the support and cooperation of elected officials, County administration, other County departments, external auditors, and the efficient, dedicated efforts of the entire staff of the Finance Department. Credit must be given to the County Administrator and the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of Columbia County's finances.

Respectfully submitted,

A handwritten signature in cursive script that reads "Leanne C. DeLoach".

Leanne C. DeLoach, CPA
Director of Financial Services

COLUMBIA COUNTY, GEORGIA
PRINCIPAL OFFICIALS
June 30, 2004

ELECTED OFFICIALS

BOARD OF COMMISSIONERS

Ron C. Cross, Chairman
Diane H. Ford, Vice Chairperson, District 3

District 1	Stephen W. Brown, Jr.
District 2	Thomas W. Mercer, Jr.
District 4	Lee Anderson

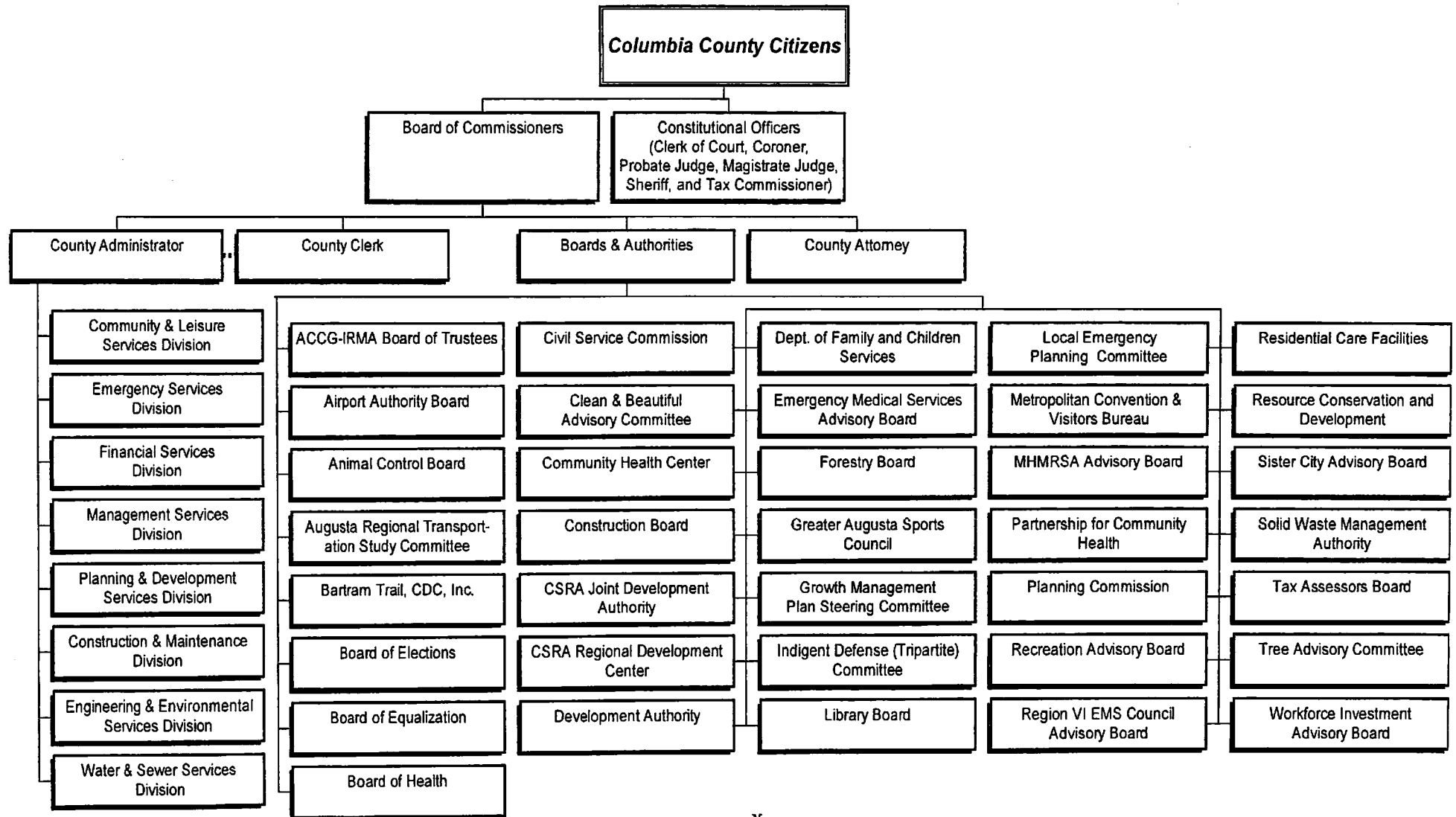
CONSTITUTIONAL OFFICERS

Tax Commissioner	Kay Allen
Clerk of Court	Cindy Mason
Magistrate Court Judge	David Huguenin
Probate Court Judge	Pat Hardaway
Sheriff	Clay Whittle
Coroner	Tommy King

APPOINTED OFFICIALS

County Administrator	Steve Szablewski
Director of Financial Services	Leanne C. DeLoach
Director of Engineering and Environmental Services	James Leiper
Director of Community and Leisure Services	Barry Smith
Director of Planning and Development Services	Jeff Browning
Director of Water and Sewerage Services	William C. Clayton
Director of Construction and Maintenance Services	Kevin Lear
Director of Emergency Services	Pamela P. Tucker
Director of Management Services	Todd Glover
County Clerk	Phebe J. Dent
County Attorney	Douglas D. Batchelor, Jr.

Columbia County Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Columbia County,
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director